LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS

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ADMINISTRATIVE RULE
FISCAL IMPACT STATEMENT

PROPOSED RULE: LSA # 02-0013 **DATE PREPARED:** Jun 28, 2002
STATE AGENCY: Family & Social Services Administration **DATE RECEIVED:** May 21, 2002

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Digest of Proposed Rule: This proposed rule revises the reimbursement methodology used to determine the rates paid to nursing facilities for services provided to Medicaid recipients. The rule revises several components of the Medicaid case-mix methodology as follows: 1) a minimum occupancy standard of 65% is established, 2) profit add-on payment of the direct care component is eliminated except for nursing facilities that serve mainly children, 3) non-Medicaid indirect ancillary costs will not be considered allowable costs, 4) provider rates are rebased annually except for the 2004 state fiscal year, 5) the index used to calculate the fair rental value allowance is revised to reflect current market values, 6) the timeline for the submission of required cost reports is increased while the filing extensions previously available upon request are eliminated, 7)other minor technical changes are proposed.

Governmental Entities: *State Impact:* The proposed rule changes are estimated to result in an aggregate reduction in Medicaid expenditures of $54.7 M in FY 2003 and $61.2 M in FY 2004 (federal and state dollars). The state share of this expenditure reduction would be about $20.8 M in FY 2003 and $23.3 M in FY 2004. Expenditures in the Medicaid program are shared, with about 62% of program expenditures reimbursed by the federal government and 38% provided by the state. There are no unfunded mandates on any state agency.

Local Impact: The fiscal impact of the rules on the six county-owned nursing facilities is expected to result in a reduction in Medicaid reimbursement to these facilities of 1.2%. With the exception of the Clark County facility which reported a 63% occupancy rate on the last cost report, the county-owned facilities tend to have higher occupancy rates and are therefore not impacted to the same degree by the 65% minimum occupancy rule as would other facilities in the state. The current occupancy rate of the Clark County facility is unknown.

Regulated Entities: Nursing facilities are regulated entities, although participation in Medicaid is a voluntary election made by each facility. However, roughly two-thirds of all residents of nursing facilities are Medicaid recipients.

The proposed rule changes are estimated to result in an aggregate reduction in Medicaid payments to nursing facilities of $54.7 M in FY 2003 and $61.2 M in FY 2004 (federal and state dollars). The reductions in payments are expected to result in a 6.5% reduction in Medicaid revenue to nursing facilities statewide.

Information Sources: The Office of Medicaid Policy and Planning, and Evelyn Murphy, Director, Long-Term Care, OMPP.